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PUBLIC UTILITIES COMMISSION

August 1, 2002

VIA HAND DELIVERY

Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Distribution Adjustment Clause ("DAC") Filing

Dear Luly:

Pursuant to Commission approved tariffs, enclosed is the pre-filed direct testimony of Peter C. Czekanski in support of the distribution adjustment charge, for effect November 1, 2002. Because this is the first DAC filing made pursuant to the recent rate settlement approval, the filing is not made under any established Docket.

To acknowledge filing, please date stamp the enclosed copy of this cover letter, and return it to the waiting messenger.

Thank you for your attention to this matter.

Sincerely,

~~CRAIG~~ L. EATON, #5515
Attorney for New England Gas Company
CLE/kmb
Enclosures
cc: Paul Roberti, Esq. (w/enclosure)
Mr. Bruce Oliver (w/enclosure)

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

NEW ENGLAND GAS COMPANY
DOCKET NO. 3459

DIRECT TESTIMONY

OF

PETER C. CZEKANSKI

August 1, 2002

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Peter C. Czekanski. My business address is 100 Weybosset Street, Providence, RI 02903.

Q. WHAT IS YOUR POSITION AND RESPONSIBILITIES?

A. I am Director of Pricing for the New England Gas Company ("NEG" or the "Company"). My responsibilities include overseeing the design, implementation and administration of rates charged by NEG. I also direct the development of the Company's sales and revenue forecasts.

Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?

A. I was first employed by Providence Gas Company ("ProvGas") in January 1995 as a Pricing Analyst with responsibility for assisting in rate design, tariff administration and other regulatory activities. I was promoted to my current position in March 1998. I have previously testified in support of enhancements to the ProvGas Business Choice program in Docket No. 2902, in the ProvGas Gas Charge Clause (GCC) filing in Docket No. 1673, the Valley Gas and Bristol & Warren ("Valley Gas") Purchased Gas Price Adjustment (PGPA) filing in Docket No. 1736, in the NEG rate case, Docket No. 3401 and in the Gas Cost Recovery filing in Docket No. 3436. I have also testified before the Massachusetts Department of Telecommunications and

Energy on behalf of North Attleboro Gas Company in Dockets D.T.E. 01-17 and D.T.E. 01-47.

Prior to joining NEG, I was employed by NYNEX (now Verizon) for 24 years where I held various positions in the Regulatory, Government Relations and Marketing departments. While part of the Regulatory department at NYNEX, I prepared and filed testimony and testified in various dockets before the Rhode Island, Massachusetts and Vermont regulatory commissions on matters related to rate design, pricing and cost issues.

My educational background includes a Bachelor of Science degree in Electrical Engineering from Brown University. In addition, during my career at NYNEX, I completed a variety of business and management courses.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of this testimony is to describe the changes to the various components of the Distribution Adjustment Charge ("DAC") and to propose updated factors to be effective with November 2002 billing cycles. In addition, this testimony will describe various reconciliation elements associated with the conclusion of the Docket No. 2581 Energize RI Extension Settlement Agreement ("ERI-2") and their inclusion in the proposed DAC.

Q. ARE THERE ANY ATTACHMENTS ACCOMPANYING YOUR TESTIMONY?

A. Yes. I am sponsoring the following Attachments:

PCC-1	Typical Customer Bill Impacts
PCC-2	Summary of Distribution Adjustment Charges
PCC-3	Calculation of System Pressure Component
PCC-4	Calculation of Environmental Response Cost Component
PCC-5	Calculation of ERI-2 Factor

Q. GIVEN THAT THE DAC WAS JUST ESTABLISHED ON JULY 1, 2002, WHY IS THE COMPANY PROPOSING A CHANGE AT THIS POINT?

A. The provisions of the Company's tariff, RIPUC NEGC No. 101, Section 3, Schedule A, include a requirement for annually updating the DAC with the Company making a filing on August 1st and the new DAC to be effective November 1st. Consistent with the provisions of the tariff and the Company's testimony in Docket No. 3401, this filing updates those components of the DAC which have changed from what underlies the DAC that became effective on July 1, 2002.

Q. WHAT IS THE IMPACT OF THE PROPOSED DAC ON CUSTOMERS?

A. The overall impact of the proposed DAC on customer bills will be a slight decrease for former Valley Gas customers and a slight increase for former ProvGas customers. For example, a typical Valley Gas residential heating customer using 1,035 therms per year will see a decrease of less than one dollar while a similar customer in the former ProvGas service area will see an increase of just over sixteen dollars a year. The reason for the difference is that the ERI-2 adjustments apply only to the former

ProvGas service area customers. These adjustments are discussed in more detail below and a summary of typical customer bill impacts is shown on Attachment PCC-1.

II. DISTRIBUTION ADJUSTMENT CHARGE ("DAC")

Q. PLEASE DESCRIBE THE DAC AND THE VARIOUS COMPONENTS THAT ARE INCLUDED.

A. The DAC was established in Docket No. 3401 to provide for the recovery and reconciliation of the costs of identifiable special programs, as well as to facilitate the timely rate recognition of incentive provisions. As described in the Company's tariff NEGC No.101 in Section 3, Schedule A, the DAC includes an annual System Pressure factor, a Demand Side Management ("DSM") factor, a Low Income Assistance factor, an Environmental Response Cost ("ERC") factor, an On-System Credit factor, and a Weather Normalization Adjustment ("WNA") factor. Attachment PCC-2 provides a summary of the proposed DAC.

Q. WHICH OF THESE FACTORS ARE BEING UPDATED IN THIS FILING?

A. Two of the DAC factors are being updated in this filing. The System Pressure factor is updated to reflect the November 2002 through October 2003 time period consistent with costs reflected in the Company's Gas Cost Recovery ("GCR") filing in Docket

No. 3436. The ERC factor is being updated to incorporate fiscal year 2002 expenditures and revenues.

Q. WHY ARE YOU NOT UPDATING THE OTHER COMPONENTS?

A. The Company is not updating the DSM or Low Income Assistance components because the Company is not proposing any change to the level of funding from what was just established and built into base rates as part of Docket No. 3401. With regard to the On-System Credits or WNA components, there will not be any credits and/or debits to incorporate into the DAC until the end of the first year under the Docket No. 3401 Settlement Agreement.

Q. WHAT IS THE SYSTEM PRESSURE COMPONENT

A. Maintaining proper operating pressures on the Company's distribution system requires the occasional use of the Company's LNG. The system pressure component reflected in the DAC is the commodity related portion of LNG costs and is calculated as the product of: (1) the average inventory cost of LNG, (2) the forecast of LNG sendout, and (3) the percentage of local storage used to maintain system pressures. As established in Docket No. 3401, NEG's system balancing percentage is 20.39 percent. The LNG system pressure portion of Operating and Maintenance costs are established at the time of the Company's last rate case and are recovered in base rates.

Q. HOW DID THE COMPANY ESTABLISH THE COMMODITY PORTION OF LNG COSTS REFLECTED IN THIS FILING?

A. The commodity portion of LNG costs reflected in this filing is based on costs calculated in the Company's June 3, 2002 Docket No. 3436 GCR filing. In the GCR filing, LNG commodity related costs were calculated for the 16-month period July 2002 through October 2003. The system pressure component was then subtracted out for purposes of calculating the GCR. This filing incorporates that system pressure component for the 12-month period November 2002 through October 2003. See Attachment PCC-3.

Q. WHAT ABOUT THE COMMODITY PORTION OF LNG FOR THE 4-MONTH PERIOD JULY 2002 THROUGH OCTOBER 2002?

A. The currently effective DAC includes recovery of the forecasted system pressure LNG commodity costs for the period July 2002 through October 2002. Next year, by August 1, 2003, the Company will file a DAC reconciliation that will reconcile DAC revenues billed with actual costs.

Q. PLEASE EXPLAIN THE PURPOSE OF THE ENVIRONMENTAL RESPONSE COST FACTOR.

A. The ERC Factor is designed to allow the NEG to recover its reasonable and prudently incurred costs for evaluation, remediation and clean-up of the sites associated with the NEG's ownership and operation of manufactured gas plants ("MGP"), manufactured gas storage facilities, and MGP-related off-site waste disposal locations. In addition, the ERC Factor includes recovery of environmental costs for removing and replacing mercury regulators and addressing meter disposal issues.

Q. PLEASE DESCRIBE THE PROPOSED ERC FACTOR.

A. Consistent with the Company's Tariff, NEGC No. 101, Section 3, Schedule A, Item 3.4, the ERC factor is a per-therm charge that reflects a 10-year amortization of Environmental Response Costs. As shown on Attachment PCC-4, the proposed ERC factor reflects unamortized environmental costs through the end of fiscal year 2001, net environmental costs in fiscal year 2002 and the level of ERC funding embedded in base rates. It should be noted that the fiscal year 2002 data is considered preliminary and if there are any changes when the Company's books are finalized for the year, the Company will file an updated calculation.

Q. HOW IS THIS DIFFERENT THAN WHAT WAS SHOWN IN DOCKET NO. 3401?

A. The primary difference is the inclusion of fiscal year 2002 data that was not available at the time of Docket No. 3401. A second difference is a $1.7 million reduction to the ERC account at the end of fiscal year 2001 made by Southern Union (parent to NEG) at acquisition. See Attachment PCC-4 for the calculation of the ERC factor.

III. ERI-2 ADJUSTMENTS

Q. HOW DOES THE ERI-2 AGREEMENT FROM DOCKET NO. 2581 PLAY INTO THE PROPOSED DAC?

A. The ERI-2 Agreement established a Deferred Revenue Account ("DRA") which, at the end of the ERI-2 term was to be credited or debited to customers. Components of the DRA were identified as earnings in excess of 10.7 percent, the impact of exogenous events, and weather mitigation. In addition, ERI-2 included an incentive mechanism that provided for sharing of non-firm margins. Specifically, 75 percent of non-firm margins that exceed $1.2 million are credited to sales and transportation customers and the Company was able to retain 25 percent of such margins. Given the conclusion of ERI-2 on June 30, 2002, the Company is proposing using the DAC to address the DRA balance and for sharing of non-firm margins accrued during the term of ERI-2.

Q. WHAT ELEMENTS OF THE DOCKET NO. 2581 EXTENSION SETTLEMENT AGREEMENT ARE INCLUDED IN THE PROPOSED DAC?

A. Two elements of the Docket No. 2581 Extension Settlement Agreement are included in the proposed DAC: 1) weather mitigation; and 2) non-firm margin.

Q. PLEASE EXPAIN THE WEATHER MITIGATION COMPONENT.

A. The ERI-2 weather mitigation clause provides for crediting/debiting the DRA at the rate of $7,800 per degree day in the November through April period that weather was more than 2 percent colder than normal or more than 3 percent warmer than normal. During the first winter under ERI-2, November 2000 through April 2001, the weather was colder than normal and there were 102 degree days in excess of the threshold which equated to $795,600 being credited to the DRA. Subsequently, under Commission Order 16745 in Docket Nos. 1673, 1736 & 3347, such amount was credited to the deferred gas cost account resulting in a zero dollar balance in the DRA. During the second winter under ERI-2, November 2001 through April 2002, the weather was warmer than normal and there were 579 degree days in excess of the threshold which equated to $4,516,200 being debited to the DRA. Attachment PCC-5 pages 2 and 3 show the calculation of the weather mitigation for each of the winters covered under ERI-2.

Q. DID THE COMPANY HAVE EARNINGS IN EXCESS OF 10.7 PERCENT OR HAVE ANY EXOGENOUS EVENTS?

A. No. A preliminary review of the Company's earnings over the term of ERI-2 shows that the Company was below the earnings sharing threshold of 10.7 percent and there were no exogenous events to report. The Company is finalizing its fiscal-year books and will file an ERI-2 earnings report by September 1, 2002. If such report shows earnings in excess of 10.7 percent, the Company will update the calculation of the DAC included in this filing.

Q. PLEASE DESCRIBE THE CALCULATION OF NON-FIRM MARGINS UNDER ERI-2 AND ANY AMOUNTS AVAILABLE FOR SHARING WITH CUSTOMERS.

A. Non-firm margins are calculated as the difference between non-firm sales and transportation revenues and non-firm gas costs. For the first 12-months of ERI-2, October 2000 through September 2001, the Company recorded $1,067,777 of non-firm margins, $132,223 less than the $1.2 million threshold. Accordingly, no non-firm margins were available for sharing between customers and the Company. During the following nine months through the conclusion of ERI-2, October 2001 through June 2002, the Company had $1,267,360 of non-firm margins. Prorating the $1.2 million threshold to this nine-month period results in a threshold of $950,309, which translates into $237,789 of margin being shared with customers. Attachment PCC-5 page 4 shows the monthly non-firm margins during ERI-2 and the calculation of the margin sharing.

Q. WHAT IS THE NET RESULT OF THE ERI-2 DRA AND NON-FIRM MARGIN SHARING?

A. The net result is an increase of $0.0167 per therm to the DAC billed to customers in the former ProvGas service area. This adjustment is applied only to former ProvGas customers because ERI-2 applied only to ProvGas. Please see Attachment PCC-5 page 1 for the calculation of the ERI-2 adjustment.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Summary of Typical Sales Service Bill Impacts

	Annual Usage (Dth)	Current Charges	Proposed Charges	Difference	Percent
Valley Customers					
Residential Non-heating	155	$211	$211	($0.08)	0%
Residential Heting	1,035	$1,028	$1,027	($0.52)	0%
Small C&I	1,242	$1,248	$1,247	($0.62)	0%
Medium C&I	10,350	$9,250	$9,245	($5.17)	0%
Large C&I	67,275	$58,318	$58,285	($33.64)	0%
X-Large C&I	284,625	$203,089	$202,946	($142.31)	0%
ProvGas Customers					
Residential Non-heating	155	$264	$266	$2.52	1%
Residential Heting	1,035	$1,146	$1,163	$16.77	1%
Small C&I	1,242	$1,412	$1,432	$20.12	1%
Medium C&I	10,350	$9,250	$9,417	$167.67	2%
Large C&I	67,275	$58,318	$59,408	$1,089.86	2%
X-Large C&I	284,625	$203,089	$207,700	$4,610.92	2%

Summary of Distribution Adjustment Charge

($ Per Therm)

	Description	reference	Residential Heating	Residential Non-Heating	Small C&I	Med, Large, and X-Large C&I
1	System Pressure	Attach. PCC-2	$0.0032	$0.0032	$0.0032	$0.0032
2	Demand Side Management	PCC Testimony	$0.0000	$0.0000	$0.0000	$0.0000
3	Low Income Assistance Programs	PCC Testimony	$0.0000	$0.0000	$0.0000	$0.0000
4	Environmental Response Cost (ERCF)	Attach. PCC-3	($0.0002)	($0.0002)	($0.0002)	($0.0002)
5	On-System Margin Credits (MC)	PCC Testimony	$0.0000	$0.0000	$0.0000	$0.0000
6	Weather Normalization (WN)	PCC Testimony	$0.0000	$0.0000	$0.0000	$0.0000
7	Subtotal	sum ([1]:[6])	$0.0030	$0.0030	$0.0030	$0.0030
8	Uncollectible Percentage	Dkt 3401	2.10%	2.10%	2.10%	2.10%
9	DAC adjusted for uncollectible	[7] * [8]	$0.0031	$0.0031	$0.0031	$0.0031
10	Consolidation Mitigation Adjustment					
11	Former Valley customers	Dkt 3401	($0.0848)	($0.2700)	($0.0953)	$0.0000
12	Former ProvGas customers	Dkt 3401	$0.0290	$0.0675	$0.0348	$0.0000
13	DAC with Mitigation Adjustment					
14	Former Valley customers	[9] + [11]	($0.0817)	($0.2669)	($0.0922)	$0.0031
15	Former ProvGas customers	[9] + [12]	$0.0321	$0.0706	$0.0379	$0.0031
16	ERI-2 Adjustment (Applies to ProvGas Only)	Attach. PCC-4	0.0167	0.0167	0.0167	0.0167
17	**DAC with Mitigation & ERI-2 Adjustments**					
18	**Former Valley customers**	[14]	**($0.0817)**	**($0.2669)**	**($0.0922)**	**$0.0031**
19	**Former ProvGas customers**	[15] + [16]	**$0.0488**	**$0.0873**	**$0.0546**	**$0.0198**

Calculation of System Pressure Factor

	LNG Commodity Related Costs			
	Withdrawal Commodity (Dkt 3436)	Inventory Costs (Dkt 3436)	Demand from GCR (Dkt 3436)	Total
	-------------	-------------	-------------	-------------
Nov-02	$120,221	$51,398	$157,500	$329,119
Dec-02	$586,051	$46,871	$185,400	$818,322
Jan-03	$801,664	$41,643	$185,400	$1,028,707
Feb-03	$558,470	$38,453	$182,700	$779,623
Mar-03	$150,307	$37,228	$157,500	$345,035
Apr-03	$120,221	$36,462	$157,500	$314,183
May-03	$123,646	$38,294	$157,500	$319,440
Jun-03	$117,984	$39,737	$157,500	$315,221
Jul-03	$117,399	$41,185	$157,500	$316,084
Aug-03	$114,296	$42,664	$157,500	$314,460
Sep-03	$108,287	$44,201	$157,500	$309,989
Oct-03	$109,408	$45,728	$157,500	$312,636
	-------------	-------------	-------------	-------------
Total	$3,027,954	$503,862	$1,971,000	$5,502,817
System Balancing Factor (Dkt 3401)	0.2039	0.2039	0.2039	
GCR Costs allocated to DAC	$617,400	$102,738	$401,887	$1,122,025
Firm Thru-put (dth): (Dkt 3436)				34,568,981
System Pressure Factor ($/dth)				$0.0325
System Pressure Factor ($/therm)				**$0.0032**

Environmental Response Cost Factor

$$ERCF = \frac{\dfrac{ERC_{95\text{-}01}}{10} + \dfrac{\underset{x=n-9}{\overset{n}{?}}\ ERCyr}{10} - ERC_{EMB}}{Dt}$$

Where:

$\boxed{ERC_{95\text{-}01}}$

Costs	$14,907,230	ProvGas (Dkt 3401; DIV 1-35)
	$663,391	Valley (Dkt 3401; DIV 1-35)
	$15,570,621	
Revenue	$2,492,056	ProvGas
	$0	Valley
	$1,700,000	SUG Acquistion Adjustment
	$4,192,056	
	$11,378,565	Unamortized Environmental Costs through 2001

$\boxed{\underset{x=n-9}{\overset{n}{?}}\ ERCyr}$

Costs	$2,138,824	ProvGas
	$33,463	Valley
	$2,172,287	
Revenue	$678,288	ProvGas Amortization
	$0	Valley Amortization
	$350,000	Insurance
	$1,028,288	
	$1,143,999	Net Environmental Costs FY2002

$\boxed{ERC_{EMB}}$	$1,310,000	Base Rate Embedded ERC funding
$\boxed{Dt}$	34,568,981	Annual Dt Nov '02 - Oct '03

$$ERCF = \frac{\dfrac{\$11,378,565}{10} + \dfrac{\$1,143,999}{10} - \$1,310,000}{34,568,981} = (\$0.0017)\ \text{per Dt}$$

$$= \boxed{\mathbf{(\$0.0002)\ \ per\ Therm}}$$

ProvGas

Environmental Projects
A/C # 10860001 as of 6/30/02

		Activity FY95	Bal @ 9-30-95	Activity FY96	Bal @ 9-30-96	Activity FY95 Corr in Fy97	Activity FY96 Corr in Fy97	Activity FY97	Bal @ 9-30-97	Activity FY98	Bal @ 9/30/98
907-1	Blackstone Street	$ 34,568.75	$ 34,568.75	3,128.50	$ 37,697.25	187.50		(37,884.75)	$ -	-	-
907	Envir Phase II @ Allens Ave										
908	Allens Avenue	589,137.17	589,137.17	925,728.94	1,514,866.11	4,912.76	(776.67)	319,581.25	1,838,583.45	313,147.25	$ 2,151,730.70
908 - 01	Allens Avenue										
306	Insur Pol, no Pollution Excl								-	1,596.98	$ 1,596.98
307	PCB Reg Pipe Abandon.										
309	Manchester Street	149,818.79	149,818.79	-	149,818.79	562.50	-	-	150,381.29		$ 150,381.29
317	Plympton	10,423.79	10,423.79	6,550.50	16,974.29	-	-	4,443.27	21,417.56	2,444.40	$ 23,861.96
379	Petroleum Site										
700	18 & 21 Holders COR										
161	Canal Street, Westerly	-	-	4,397.12	4,397.12	-	-	14,706.20	19,103.32	3,179.58	$ 22,282.90
910	Environ Insur Settlement										
963	Narr. Electric, South St.	2,400.00	2,400.00	-	2,400.00	-	-	-	2,400.00		$ 2,400.00
170	IAG Insurance Investment	42,721.11	42,721.11	-	42,721.11	62.50	-	(5,229.37)	37,554.24		$ 37,554.24
170	General Enviro Issues	14,038.96	14,038.96	-	14,038.96	(5,725.26)	-	9,969.00	18,282.70		$ 18,282.70
178	Site Inv Connell Hwy Newp										
144	Westerly Soil Investigation	-	-	11,123.08	11,123.08	-	-	45,527.91	56,650.99	9,803.45	$ 66,454.44
171	Contaminated Regulators	-	-	10,447.58	10,447.58	-	-	70,215.30	80,662.88	192,087.40	$ 272,750.28
	Sub-Total	843,108.57	843,108.57		$ 1,804,484.29				$ 2,225,036.43		$ 2,747,295.49
*	Allens Ave Accrual (908-01)	-	-	1,300,000.00	1,300,000.00	-	-	400,000.00	1,700,000.00		$ 1,700,000.00
**	Allens Ave Rem Accr (907)										
*	Westerly Accrual	-	-	-	-	-	-	50,000.00	50,000.00		$ 50,000.00
**	Accrual Beyond Rem Budget										
	Sub-Total				$ 1,300,000.00				$ 1,750,000.00		$ 1,750,000.00
	Amortize Environmental SUG Acquistion Adjust									(423,616.67)	$ (423,616.67)
	Algonquin Payment									$ (104,798.47)	$ (104,798.47)
	Totals	$ 843,108.57	$ 843,108.57	$ 2,261,375.72	$ 3,104,484.29	$ -	$ (776.67)	$ 871,328.81	$ 3,975,036.43	$ (6,156.08)	$ 3,968,880.35
			$ 843,108.57		$ 3,104,484.29				$ 3,975,036.43		$ 3,968,880.35

Interco entries SUC

*** Ref Acct # 25359000**
**** Ref Acct # 25359100**

ProvGas

Environmental Projects A/C # 10860001 as of 6/30/02

		Activity FY99	Bal @ 9/30/99	Activity FY00	Bal @ 9/30/00	Activity FY01	Bal @ 6/30/01	Activity FY02	Bal @ 6/30/02
907-1	Blackstone Street	-	-	-	-	-	$ -	-	$ -
907	Envir Phase II @ Allens Ave		$ -	1,191,359.30	$ 1,191,359.30	$ 91,167.76	$ 1,282,527.06	$ 50,357.50	$ 1,332,884.56
908	Allens Avenue	$ 807,322.34	$ 2,959,053.04	$ 90,804.24	$ 3,049,857.28	$ 374,579.21	$ 3,424,436.49	$ 137,163.01	$ 3,561,599.50
908 - 01	Allens Avenue	$ 854,741.82	$ 854,741.82	$ 4,869,401.83	$ 5,724,143.65	$ 2,951,568.67	$ 8,675,712.32	$ 1,602,575.91	$ 10,278,288.23
306	Insur Pol, no Pollution Excl	$ 31,449.98	$ 33,046.96	$ -	$ 33,046.96	$ -	$ 33,046.96	$ -	$ 33,046.96
307	PCB Reg Pipe Abandon.	$ 7,205.05	$ 7,205.05	$ 9,597.91	$ 16,802.96	$ 2,686.43	$ 19,489.39	$ 190.00	$ 19,679.39
309	Manchester Street		$ 150,381.29	$ 2,480.00	$ 152,861.29	$ -	$ 152,861.29	$ -	$ 152,861.29
317	Plympton		$ 23,861.96	$ 3,055.50	$ 26,917.46	$ 50,415.75	$ 77,333.21	$ -	$ 77,333.21
379	Petroleum Site	$ 212,936.52	$ 212,936.52	$ 106,104.37	$ 319,040.89	$ 151,540.67	$ 470,581.56	$ 60,070.20	$ 530,651.76
700	18 & 21 Holders COR				$ -	$ 44,375.29	$ 44,375.29	$ 5,598.66	$ 49,973.95
161	Canal Street, Westerly	$ 6,850.00	$ 29,132.90	$ 4,050.00	$ 33,182.90	$ -	$ 33,182.90	$ -	$ 33,182.90
910	Environ Insur Settlement							$ (350,000.00)	$ (350,000.00)
963	Narr. Electric, South St.		$ 2,400.00		$ 2,400.00	$ -	$ 2,400.00	$ -	$ 2,400.00
170	IAG Insurance Investment	$ 611.00	$ 38,165.24	$ 9,822.03	$ 47,987.27	$ -	$ 47,987.27	$ -	$ 47,987.27
170	General Enviro Issues		$ 18,282.70		$ 18,282.70	$ 6,651.56	$ 24,934.26	$ -	$ 24,934.26
178	Site Inv Connell Hwy Newp						$ -	$ 9,780.09	$ 9,780.09
144	Westerly Soil Investigation	$ 3,828.20	$ 70,282.64	$ 7,358.20	$ 77,640.84	$ 493.00	$ 78,133.84	$ -	$ 78,133.84
171	Contaminated Regulators	$ 107,912.90	$ 380,663.18	$ 124,437.99	$ 505,101.17	$ 35,127.16	$ 540,228.33	$ 273,089.03	$ 813,317.36
	Sub-Total		$ 4,780,153.30		$ 11,198,624.67		$ 14,907,230.17		$ 16,696,054.57
*	Allens Ave Accrual (908-01)	$4,395,258.18	$ 6,095,258.18	(4,869,401.83)	$ 1,225,856.35	(1,151,568.67)	$ 74,287.68	(1,152,575.91)	$ (1,078,288.23)
**	Allens Ave Rem Accr (907)			308,640.70	$ 308,640.70	(91,167.76)	$ 217,472.94	(50,357.50)	$ 167,115.44
*	Westerly Accrual		$ 50,000.00		$ 50,000.00		$ 50,000.00	-	$ 50,000.00
							$ 341,760.62		$ (861,172.79)
**	Accrual Beyond Rem Budget			5,520,000.00	$ 5,520,000.00		$ 5,520,000.00	-	$ 5,520,000.00
	Sub-Total		$ 6,145,258.18		$ 7,104,497.05		$ 5,861,760.62		$ 4,658,827.21
	Amortize Environmental	(678,282.00)	$ (1,101,898.67)	(788,955.00)	$ (1,890,853.67)	(508,716.00)	$ (2,399,569.67)	(678,288.00)	$ (3,077,857.67)
	SUG Acquistion Adjust					(1,700,000.00)	$ (1,700,000.00)		$ (1,700,000.00)
	Algonquin Payment		$ (104,798.47)		$ (104,798.47)		$ (104,798.47)		$ (104,798.47)
	Totals	$5,749,833.99	$ 9,718,714.34	$ 6,588,755.24	$ 16,307,469.58	$ 257,153.07	$ 16,564,622.65	$ (92,397.01)	$ 16,472,225.64
			$ 9,718,714.34		$ 16,307,469.58		$ 16,564,622.65		$ 16,472,225.64
	Interco entries SUC								$ -
									$ 16,472,225.64

*** Ref Acct # 25359000**
**** Ref Acct # 25359100**

Valley Gas/Bristol & Warren Gas Company

Environmental Projects

Descrption	1987	1990	1995	1996	1997	1998	1999	2000	2001	2002	Total	
Environmental Study							$18,511	($6,000)			$12,511	
Mercury Regulators									229,800	33,463	$263,263	*Closed in 2002
Mendon Road									121,355		$121,355	
Tidewater	13,940	94		112,550	19,710						$146,294	
Hamlet					15,293	43,927	23,003	13,747			$95,970	
Gooding Ave				32,326	(4,702)		6,455				$34,079	
Plympton							1,673	21,631	78		$23,382	
	$13,940	$94	$0	$144,876	$30,301	$43,927	$49,642	$29,378	$351,233	$33,463	$696,854	

Calculation ERI-2 Factor
(PGC Only)

ERI-2 Deferred Revenue Account (Dkt 2581)		
Winter 2001-02 Weather Mitigation	Att. PCC-5, pg 3	$4,516,200
Non-Firm Margin Incentive		
2001-2002 Non-Firm Margin Sharing	Att. PCC-5, pg 4	($237,789)
Total ERI-2 Adjustments		$4,278,411
PGC Firm thru-put (dth)		25,640,999
ERI-2 Factor ($/dth)		$0.1669
ERI-2 Factor ($/therm)		**$0.0167**

ERI-2 Weather Mitigation Clause

The Company shall compare actual heating degree days ("DD") to normal heating degree days at the end of each peak season (November through April). For each DD greater than 5,055 (2% colder than normal), the Company shall credit the Deferred Revenue Account an amount equal to $7,800 per DD. For each DD less than 4,807 (3% warmer than normal), the Company shall debit the Deferred Revenue Account at $7,800 per DD.

<u>Calculation of Winter Season 2000-2001 Weather Mitigation</u>

	Actual Heating Degree Days
Nov-00	642
Dec-00	1,115
Jan-01	1,111
Feb-01	922
Mar-01	883
Apr-01	484
TOTAL	5,157
Degree Day Threshold (colder than normal)	5,055
Degree Days in Excess of Threshold	102
Mitigation $ per Degree Day	$7,800
Weather Mitigation	$795,600

ERI-2 Weather Mitigation Clause

The Company shall compare actual heating degree days ("DD") to normal heating degree days at the end of each peak season (November through April). For each DD greater than 5,055 (2% colder than normal), the Company shall credit the Deferred Revenue Account an amount equal to $7,800 per DD. For each DD less than 4,807 (3% warmer than normal), the Company shall debit the Deferred Revenue Account at $7,800 per DD.

Calculation of Winter Season 2001-2002 Weather Mitigation

	Actual Heating Degree Days
Nov-01	515
Dec-01	790
Jan-02	918
Feb-02	819
Mar-02	762
Apr-02	424
TOTAL	4,228
Degree Day Threshold (warmer than normal)	4,807
Degree Days in Excess of Threshold	579
Mitigation $ per Degree Day	$7,800
Weather Mitigation	$4,516,200

ERI-2 Non-Firm Margin Incentive Mechanism

	Non-Firm Margin	
	October '00 - September '01	October '01 - September '02
	--------------	--------------
October	$147,327	$297,087
November	$171,006	$191,660
December	$84,030	$166,012
January	$12,385	$116,898
February	$70,262	$142,503
March	$52,992	$67,337
April	$53,613	$129,616
May	$56,162	$80,884
June	$87,004	$75,363
July	$17,864	
August	$110,558	
September	$204,574	
	--------------	--------------
Total	$1,067,777	$1,267,360
Sharing Threshold	$1,200,000	$950,309 (1)
Margin in excess of Base Rate threshold	$0	$317,052
Ratepayers @ 75%		**$237,789**
Company @ 25%		$79,263

(1) Nine month threshold calculated as: [sum of Oct-01 through Jun 02 (9months) Non-Firm margins divided by Jul 01 through Jun 02 (12 months) Non-Firm margins] multiplied by $1.2M sharing threshold.